

CITY OF LINWOOD

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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CITY OF LINWOOD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2012

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Linwood, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Linwood on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Linwood as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 17 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$116,887 and \$105,851 for 2012 and 2011 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linwood’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 on our consideration of the City of Linwood’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Linwood's internal control over financial reporting and compliance.

Robert E. Swartz

Robert E. Swartz, CPA, RMA #319

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

March 27, 2013

EXHIBIT A - CURRENT FUND

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**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Regular Fund:			
Cash:			
Treasurer	A-4	\$1,473,841	1,369,479
Clerk		1,816	1,470
Change Fund		250	250
Petty Cash		100	100
		<u>1,476,007</u>	<u>1,371,299</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	387,772	342,393
Tax Title Liens Receivable	A-6	11,536	9,406
Property Acquired for Taxes-Assessed Valuation		37,387	37,387
Sewer Rents Receivable	A-7	36,677	30,543
Revenue Accounts Receivable			
Municipal Court	A-8	6,543	8,724
Due From:			
Dog Fund	B	4,556	2,677
Other Trust Funds	B	101	101
Overpaid School Taxes		0	94,682
Grant Fund	A	162,790	161,115
		<u>647,362</u>	<u>687,028</u>
Deferred Charges:			
Special Emergency Authorization (40A:4-55)		200,900	0
Emergency Authorization (40A:4-47)		165,917	0
Overexpenditure of Appropriations		10,665	0
		<u>377,482</u>	<u>0</u>
		<u>2,500,851</u>	<u>2,058,327</u>
Federal and State Grant Fund:			
Cash		438,753	0
State Grants Receivable	A-10	272,911	717,882
		<u>711,664</u>	<u>717,882</u>
		<u>\$3,212,515</u>	<u>2,776,209</u>

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$253,364	154,353
Reserve for Encumbrances/Accounts Payable	A-3	107,891	90,145
Special Emergency Note Payable		200,900	0
Taxes Collected in Advance		248,321	241,887
Prepaid Sewer Rents		340,397	343,699
Tax Overpayments		0	7,580
Overpaid Sewer Rents		896	1,865
Due to Public Defender Trust		989	486
Due to State of New Jersey - Construction Training Fees		285	1,205
Veterans and Senior Citizens		9,457	7,912
Marriage License Fees		50	175
Due to County-Added Taxes	A	6,736	9,853
Reserve for Revaluation		200,900	0
Reserve to Pay Debt Service		14,124	0
		<u>1,384,310</u>	<u>859,160</u>
Reserves for Receivables and Other Assets	A	647,362	687,028
Fund Balance	A-1	469,179	512,139
		<u>2,500,851</u>	<u>2,058,327</u>
Federal and State Grant Fund:			
Reserve for Encumbrances		150,477	35,048
Due to Current Fund	A	162,790	161,115
Reserve for State Grants			
Appropriated	A-11	388,935	498,684
Unappropriated	A-12	9,462	23,035
		<u>711,664</u>	<u>717,882</u>
		<u>\$3,212,515</u>	<u>2,776,209</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$275,000	300,000
Miscellaneous Revenue Anticipated	A-2	2,691,516	2,941,395
Receipts from Delinquent Taxes	A-2	346,551	370,815
Receipts from Current Taxes	A-2	29,062,734	29,526,625
Non Budget Revenue	A-2	111,005	10,802
Other Credits to Income:			
Interfund Returned		94,783	0
Cancellation of Prior Year Liabilities		0	821
Unexpended Balance of Approp Reserves	A-9	145,632	260,796
		<u>32,727,221</u>	<u>33,411,254</u>
Total Income			
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	3,636,563	3,673,377
Other Expenses	A-3	5,126,922	4,587,411
Deferred Charges and Statutory Expenditures	A-3	993,145	1,007,229
Capital Improvements	A-3	19,403	400,134
Municipal Debt Service	A-3	916,381	866,569
Local District School Debt Service	A-3	1,225,442	1,402,654
County Tax		3,864,226	3,992,232
County Share of Added Taxes		6,736	9,853
Local District School Tax		10,889,051	10,936,199
Regional High School Tax		6,186,236	6,151,476
Cancellation of Prior Year Revenue		0	250
Interfund Created		8,558	113,933
		<u>32,872,663</u>	<u>33,141,317</u>
Total Expenditures			
Excess in Revenue			269,937
Deficit in Revenue		<u>\$145,442</u>	

See Accompanying Notes to Financial Statements

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31,
(CONTINUED)**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		<u>\$377,482</u>	<u>0</u>
Statutory Excess to Fund Balance		232,040	269,937
Fund Balance January 1	A	<u>512,139</u>	<u>542,202</u>
		744,179	812,139
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>275,000</u>	<u>300,000</u>
Balance December 31	A	<u><u>\$469,179</u></u>	<u><u>512,139</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Ref.</u>	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$275,000		275,000	
Miscellaneous Revenues:					
Section A: Local Revenues					
Licenses:					
Other	A-8	42,000		46,016	4,016
Fines and Costs:					
Municipal Court	A-8	111,000		112,193	1,193
Interest and Costs on Taxes	A-8	70,000		77,278	7,278
Interest on Investments and Deposits	A-8	32,000		25,864	(6,136)
Sewer Use Charges	A-7	1,075,000		1,079,850	4,850
Parking Permits	A-8	7,500		7,855	355
Planning and Zoning Fees and Permits	A-8	10,000		12,700	2,700
Total Section A		<u>1,347,500</u>	<u>0</u>	<u>1,361,756</u>	<u>14,256</u>
Section B: State Aid Without Offsetting Appropriations					
Consolidated Municipal Property Tax Relief Act	A-8	15,773		15,773	
Energy Receipts Tax	A-8	555,835		555,835	
Building Aid Allowance for Schools - State Aid	A-8	167,207		169,391	2,184
Total Section B		<u>738,815</u>	<u>0</u>	<u>740,999</u>	<u>2,184</u>
Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations (NJS 40A:4-36 & NJAC 5:23-4.17)					
Uniform Construction Code Fees	A-8	135,000		154,216	19,216
Total Section C		<u>\$135,000</u>	<u>0</u>	<u>154,216</u>	<u>19,216</u>

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Section F: Special Items of General Revenue Anticipated with Prior Written Consent of Dir. of Local Government Services - Public and Private Revenues offset with Appropriations:					
Drunk Driving Enforcement Fund	A-10	\$2,415		2,415	
Clean Communities Program	A-10	13,714		13,714	
Alcohol Education-Unappropriated		11,470		11,470	
Recycling Tonnage		17,778		17,778	
Body Armor	A-10	3,607		3,607	
Community Development Block Grant	A-10	15,000	5,128	20,128	
Sustainability Land Use Planning Grant			4,000	4,000	
Frank H. Stewart Trust Grant		250,000		250,000	
Total Section F		313,984	9,128	323,112	0
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Other Special Items:					
Uniform Fire Fees	A-8	15,372		12,533	(2,839)
Bell Atlantic Nynex Tower	A-8	60,000		58,900	(1,100)
Capital Fund Surplus		40,000		40,000	
Total Section G		\$115,372	0	111,433	(3,939)

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Total Miscellaneous Revenues	A-1	\$2,650,671	9,128	2,691,516	31,717
Receipts from Delinquent Taxes	A-1:A-2	340,000		346,551	6,551
Amount to be Raised by Taxes for Support of Municipal Budget					
a) Local Tax for Municipal Purposes	A-2	7,456,310		7,064,564	(391,746)
b) Addition to Local District School Tax		1,022,242		1,022,242	
c) Minimum Library Tax		379,865		379,865	
Total Amount to Be Raised by Taxes		<u>8,858,417</u>	<u>0</u>	<u>8,466,671</u>	<u>(391,746)</u>
Budget Totals		<u>12,124,088</u>	<u>9,128</u>	<u>11,779,738</u>	<u>(353,478)</u>
Non-Budget Revenues:					
Other Non-Budget Revenue	A-2			111,005	111,005
		<u>\$12,124,088</u>	<u>9,128</u>	<u>11,890,743</u>	<u>(242,473)</u>

Ref. A-3 A-3

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-5	\$29,062,734
Allocated to:		
School, County Taxes		<u>20,946,249</u>
Balance for Support of Municipal Budget Appropriations		8,116,485
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>350,186</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>8,466,671</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-5	346,551
Tax Title Lien Collections	A-6	<u>0</u>
		<u><u>\$346,551</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONCLUDED)**

Ref.

Analysis of Non-Budget Revenue

Clerk:

Miscellaneous		1,894
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Other Miscellaneous:

Sewer Connection Fees	5,550	
State of NJ FEMA - June 2012 Storm	76,564	
Administration Fees - Senior Citizens & Veterans	1,731	
Health Insurance Reimbursements	5,818	
Atlantic County ADA Curb Improvements	14,539	
Miscellaneous	4,909	

109,111

A-1:A-2

\$111,005

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
GENERAL GOVERNMENT:							
Administrative & Executive Other Expenses	\$3,600	3,600	1,802		1,798		
Mayor and Council: Salaries and Wages	65,935	65,935	65,274		661		
Municipal Clerk Salaries And Wages Other Expenses	120,364 44,375	120,364 44,375	120,177 30,422	2,566	187 3,387	8,000	
Elections Other Expenses	6,500	6,500	3,350		300		
Financial Administration Salaries and Wages Other Expenses	73,594 12,308	73,594 12,308	73,512 10,040		82 2,268		
Audit Service	28,500	28,500	26,800		1,700		
Collection of Taxes Salaries and Wages Other Expenses	124,049 9,425	133,799 9,425	133,791 8,344	879	8 202		
Assessment of Taxes Salaries and Wages Other Expenses	29,704 2,080	29,704 202,980	29,703 202,849		1 131		
Paying Agent Fees	\$1,700	1,700	1,700				

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Municipal Prosecutor Other Expenses	\$9,000	9,000	4,000		5,000		
Legal Services and Costs Other Expenses	225,000	178,821	159,087	3,246	1,488	15,000	
Engineering Services and Costs Other Expenses	30,000	30,000	29,194		806		
Public Buildings and Grounds Other Expenses	30,500	30,500	16,507	7,663	6,330		
Municipal Land Use Law (N.J.S.A. 40:55D-1) Planning Board Salaries and Wages Other Expenses	9,353 29,900	9,353 20,215	9,353 11,752	400	8,063		
Board of Adjustment Salaries and Wages Other Expenses	9,353 10,260	9,353 10,260	9,353 5,140	1,481	3,639		
Shade Tree Other Expenses	400	400	395		5		
Other Insurance Health Benefit Waiver Workmens Compensation Insurance Employee Group Insurance	105,016 2,500 287,996 1,070,436	105,016 2,500 287,996 1,070,436	96,227 2,500 287,996 1,045,436		8,789	25,000	
PUBLIC SAFETY: Uniform Fire Safety Act Salaries and Wages Other Expenses	9,720 \$5,652	9,720 5,652	9,720 3,002		2,650		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Fire							
Salaries and Wages	\$319,311	337,311	324,308		13,003		
Other Expenses:							
Lease of Fire House	20	20			20		
Miscellaneous Other Expense	39,670	39,670	27,640	10,350	1,680		
Aid to Volunteer fire Companies Operation and Maintenance	6,000	6,000	6,000				
Police							
Salaries and Wages	1,905,423	1,905,423	1,845,387		40,036	20,000	
Other Expenses	91,500	91,500	66,896	20,005	4,599		
Communication							
Salaries and Wages	1,794	1,794	1,794				
Other Expenses	13,850	13,850	(11,954)	21,533	4,271		
Emergency Management Service							
Salaries and Wages	3,015	3,015	2,518		497		
Other Expenses	1,700	1,700	292	675	733		
Municipal Court							
Salaries and Wages	67,270	24,520	24,290		230		
Other Expenses	10,400	10,400	3,235		7,165		
Public Defender							
Other Expenses	1,600	1,600	249		1,351		
STREETS AND ROADS:							
Road Repairs and Maintenance							
Salaries and Wages	763,375	763,375	743,004		5,371	15,000	
Other Expenses	\$140,000	140,000	120,413	15,640	3,947		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
SANITATION:							
Sewer System							
Salaries and Wages							
Finance and Administration	\$4,952	4,952	3,928		1,024		
Other Expenses:							
Finance and Administration	8,541	8,541	2,316		6,225		
Operation and Maintenance	154,800	154,800	132,018	5,139	17,643		
Landfill- Tipping Fees	450,000	465,000	464,970	30			
Municipal Services Act	27,000	27,000	25,851		1,149		
HEALTH AND WELFARE:							
Animal Control Service (Dog Regulation)							
Contractual	9,600	9,600	8,800		800		
Senior Citizen's Center							
Other Expenses	100	100	0		100		
RECREATION AND EDUCATION:							
Parks and Playgrounds							
Salaries and Wages	8,416	8,416	7,656		760		
Other Expenses	30,050	30,050	27,887	795	1,368		
Historian							
Other Expenses	500	500	480		20		
STATE UNIFORM CONSTRUCTION CODE							
Construction Official							
Salaries and Wages	170,930	170,930	160,521		10,409		
Other Expenses	\$10,331	10,331	6,402	1,814	2,115		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered		
UNCLASSIFIED:						
Utilities						
Gasoline	\$85,000	85,000	75,742		258	9,000
Electricity	100,000	100,000	87,060	2,408	532	10,000
Telephone and Telegraph	35,000	35,000	30,629	2,799	1,572	
Natural Gas	50,000	50,000	17,282		2,718	30,000
Street lighting	115,000	115,000	93,128	1,754	118	20,000
Fire Hydrant Service	68,828	68,828	56,022	5,624	7,182	
Water and Sewer	6,500	6,500	5,076		1,424	
Public Access Channel 2	500	500	500			
Accumulated Leave						
Salaries and Wages	5	5	0		5	
TOTAL OPERATIONS WITHIN "CAPS"	7,058,201	7,203,237	6,757,766	107,651	185,820	152,000
Contingent	1,000	1,000			1,000	
TOTAL OPERATIONS INCLUDING CONTINGENT	7,059,201	7,204,237	6,757,766	107,651	186,820	152,000
Detail:						
Salaries and Wages	3,686,563	3,671,563	3,564,289	0	72,274	35,000
Other Expenses	3,372,638	3,532,674	3,193,477	107,651	114,546	117,000
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
None						
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	202,547	202,547	202,546		1	
Public Employees Retirement System - ERI	26,339	26,339	26,339			
Social Security	300,000	300,000	269,576		10,424	20,000
Police and Fire Retirement System	\$428,496	428,496	428,496			

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Police and Fire Retirement System - ERI	\$41,263	41,263	41,263				
Defined Contribution Retirement Program	21,000	21,000	11,047		1,953	8,000	
Unemployment Compensation Insurance	1,500	1,500	1,368		132		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	1,021,145	1,021,145	980,635	0	12,510	28,000	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	8,080,346	8,225,382	7,738,401	107,651	199,330	180,000	0
OPERATIONS - EXCLUDED FROM "CAPS"							
Maintenance of Free Public Library Other Expenses	379,865	379,865	379,865				
Atlantic County Sewerage Authority Share of Costs	536,374	536,374	536,374				
City of Northfield's Share of Sewer Rents	9,300	9,300	0		9,300		
Recycling Tax	8,800	8,800	8,501		299		
Group Insurance for Employees	31,412	31,412	29,810		1,602		
Length of Service Awards Program	17,000	17,000	14,950		2,050		
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc) Streets & Roads O/E	6,000	6,000	5,109	240	651		
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc) Landfill Tipping Fees	\$2,500	2,500	2,000		500		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc) Municipal Clerk O/E	\$500	500			500		
Dispatch Services - Interlocal Service Agreement Municipal Court - Interlocal Service Agreement	320,000	320,000	305,416		14,584		
		65,917	56,500		9,417		
Total Other Operations - Excluded from "CAPS"	1,311,751	1,377,668	1,338,525	240	38,903	0	0
Public and Private Programs Offset by Revenues							
Municipal Alliance - Alcoholism and Drug Abuse Grant Share	11,470	11,470	11,470				
Local Share	2,868	2,868	2,868				
Clean Communities Program	13,714	13,714	13,714				
Body Armor Fund	3,607	3,607	3,607				
Drunk Driving Enforcement Fund	2,415	2,415	2,415				
Grant Matching Funds	7,600	7,600			7,600		
Community Development Block Grant	15,000	20,128	20,128				
Sustainable Land Use Planning Grant		4,000	4,000				
Recycling Tonnage	17,778	17,778	17,778				
Frank H. Stewart Trust Grant	250,000	250,000	250,000				
Total Public and Private Programs Offset by Revenue	\$324,452	333,580	325,980	0	7,600	0	0

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered		
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	\$1,636,203	1,711,248	1,664,505	240	46,503	0
Detail:						
Salaries and Wages	0	0	0	0	0	0
Other Expenses (Including Contingent)	1,636,203	1,711,248	1,664,505	240	46,503	0
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	19,403	19,403	11,872		7,531	
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	19,403	19,403	11,872	0	7,531	0
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	305,000	379,670	379,670			
Interest on Bonds	350,417	396,596	343,772		52,824	
Interest on Notes	7,000	7,000	6,856		144	
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	18,787	18,787	18,786		1	
NJEIT Loan Principal and Interest	167,297	167,297	167,297			
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	848,501	969,350	916,381	0	52,969	0
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"						
None						
TOTAL DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"	\$0	0	0	0	0	0

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONCLUDED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended	
	Budget	Budget After Modification	Paid or Charged	Encumbered			Reserved
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$2,504,107	2,700,001	2,592,758	240	54,034	52,969	0
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"							
Type 1 District School Debt Service	615,000	650,015	640,329			9,686	10,665
Payment of Bond Principal	156,919	156,919	167,584				
Interest on Bonds	417,530	417,530	417,529			1	
Principal and Interest on Loans							
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	1,189,449	1,224,464	1,225,442	0	0	9,687	10,665
SUBTOTAL GENERAL APPROPRIATIONS	11,773,902	12,149,847	11,556,601	107,891	253,364	242,656	10,665
Reserve for Uncollected Taxes	350,186	350,186	350,186				
TOTAL GENERAL APPROPRIATIONS	\$12,124,088	12,500,033	11,906,787	107,891	253,364	242,656	10,665
Budget	A-2		A-1		A-A-1		A
Special Emergency Authorization (40A:4-53)	A-3	12,124,088					
Emergency Authorization		200,900					
Appropriations by 40A:4-87	A-2	165,917					
		9,128					
		<u>\$12,500,033</u>					

Note: Communications Other Expenses - In December 2012, the City received an insurance refund in the amount of \$17,544 as a result of damaged equipment. The replacement equipment was ordered, and a purchase order encumbered, after the refund came in.

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants	A-11	\$325,980
Deferred Charges		0
Reserve for Uncollected Taxes		350,186
Accounts Payable - Reserve for Revaluation		200,900
Disbursed	A-4	<u>11,228,053</u>
		12,105,119
Appropriation Refunds		<u>198,332</u>
		<u><u>\$11,906,787</u></u>

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EXHIBIT B - TRUST FUNDS

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**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Animal Control Fund			
Cash	B-1	\$21,163	19,472
		<u>21,163</u>	<u>19,472</u>
LOSAP (unaudited)			
Investment		116,887	105,851
		<u>116,887</u>	<u>105,851</u>
Other Funds:			
Cash - Treasurer	B-1	352,813	315,908
Due from Current Fund-Public			
Defender Fees	A	989	486
		<u>353,802</u>	<u>316,394</u>
Total		<u><u>\$491,852</u></u>	<u><u>441,717</u></u>

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Liabilities, Reserves, and Fund Balance</u>		<u>2012</u>	<u>2011</u>
Animal Control Fund			
Due to Current Fund	B-3	\$4,556	2,677
Due to State of New Jersey	B-4	0	2
Reserve for Cat Fund	B-5	11,011	10,693
Reserve for Dog Fund	B-2	5,596	6,100
		<u>21,163</u>	<u>19,472</u>
LOSAP (unaudited)			
Reserve for LOSAP		<u>116,887</u>	<u>105,851</u>
		<u>116,887</u>	<u>105,851</u>
Other Funds:			
Due to Current Fund	A	101	101
Payroll Taxes Payable		523	505
Reserves for:			
POAA		38	34
Surety		42,063	42,063
Planning and Zoning Escrows		91,861	97,275
Street Openings		15,351	13,753
Accumulated Absences		37,772	37,772
Arboretum maintenance		0	3,094
Bike Path Beautification	B-6	5,393	4,429
Law Enforcement	B-7	6,148	6,109
Recycling	B-8	3,075	2,832
Drug Alliance	B-11	9,614	7,586
Tax Title Lien Redemption	B-10	74,270	65,200
Public Defender	B-9	1,039	536
Development Fees		63,084	31,635
Uniform Fire Safety Fees		3,470	3,470
		<u>353,802</u>	<u>316,394</u>
Total		<u><u>\$491,852</u></u>	<u><u>441,717</u></u>

EXHIBIT C - GENERAL CAPITAL FUND

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GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Cash	C-2	\$606,089	814,185
Cash Held by New Jersey Environmental Infrastructure Trust		340,032	0
Deferred Charges to Future Taxation:			
Funded	C-4	16,747,895	17,052,282
Unfunded	C-5	1,874,406	4,039,769
Due from School - Grant		62,712	62,712
		<u>19,631,134</u>	<u>21,968,948</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-8	437,110	211,545
General Serial Bonds	C-9	10,788,550	11,358,220
Green Trust Loan Payable	C-10	130,783	146,714
School Serial Bonds	C-11	3,946,450	4,616,780
School Loans	C-12	405,365	810,734
NJ Environmental Infrastructure Trust Loans	C-13	1,476,747	119,834
Reserve for School Grant		62,712	62,712
Improvement Authorizations:			
Funded	C-7	927,977	253,144
Unfunded	C-7	1,084,287	3,727,177
Capital Improvement Fund	C-6	58,305	58,305
Encumbrances Payable		287,086	559,535
Fund Balance	C-1	25,762	44,248
		<u>\$19,631,134</u>	<u>\$21,968,948</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2012 and 2011 in the amounts \$1,437,296 and \$3,828,224 respectively.

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS**

	<u>Ref.</u>	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>
Balance at beginning of the year	C	\$44,248	74,248
Increased by:			
Premium on Sale of Note		5	0
Funded Improvement Authorizations Canceled	C-7	<u>21,509</u>	<u>40,000</u>
		65,762	114,248
Decreased by:			
Realized in Current Operating Budget	A-2	<u>40,000</u>	<u>70,000</u>
Balance at the end of the year	C	<u><u>\$25,762</u></u>	<u><u>44,248</u></u>

EXHIBIT G - GENERAL FIXED ASSETS

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GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2012</u>	<u>2011</u>
General Fixed Assets:		
Land	\$1,220,177	1,220,177
Buildings	5,887,539	5,887,539
Machinery and Equipment	<u>5,282,870</u>	<u>4,927,838</u>
Total General Fixed Assets	<u><u>12,390,586</u></u>	<u><u>12,035,554</u></u>
Investment in General Fixed Assets	<u><u>\$12,390,586</u></u>	<u><u>12,035,554</u></u>

See Accompanying Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the City of Linwood include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Linwood, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Linwood Board of Education, Belhaven Avenue, Linwood, NJ 08221 and the Linwood Public Library, 301 Davis Avenue, Linwood, NJ 08221 are component units. However, under the regulatory basis of accounting in New Jersey, the component units are neither blended nor shown in a discrete presentation in the financial statements of the City. The Board of Education does have an independent audit performed and a copy is available at the Board's offices. The Linwood Public Library also has an independent audit performed and a copy is available at the Library.

B. Description of Funds

The accounting policies of the City of Linwood conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the City of Linwood accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund -- receipt and disbursement of funds for the acquisition of general facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2012 AND 2011

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets -- The City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Fixed assets with an original cost of less than \$500 are not capitalized.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

The following schedule is a summarization of the changes in general fixed assets for the calendar years ended December 31, 2012 and 2011.

	Balance as of <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/12</u>
Land	\$1,220,177			1,220,177
Buildings and Improvements	5,887,539			5,887,539
Furniture, Fixtures & Equip	4,927,838	391,647	(36,615)	5,282,870
Total	<u>\$12,035,554</u>	<u>391,647</u>	<u>(36,615)</u>	<u>12,390,586</u>

	Balance as of <u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/11</u>
Land	\$1,220,177			1,220,177
Buildings and Improvements	5,887,539			5,887,539
Furniture, Fixtures & Equip	4,889,784	38,054	0	4,927,838
Total	<u>\$11,997,500</u>	<u>38,054</u>	<u>0</u>	<u>12,035,554</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. A ten (10) day grace period is permitted provided a resolution has been adopted by the City Council. NJSA 54:4-67 permits municipalities to charge interest on delinquent balances at a rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount of taxes in excess of \$1,500. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Capitalization of Interest -- It is the policy to the City of Linwood to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. New Jersey municipalities are permitted to accrue a compensated absences liability. The City has begun to accumulated funds for accrued absences. See Note 14 for additional information on the City's compensated absences policy.

Basic Financial Statements – Governmental Accounting Standards Board (GASB) prescribes the financial statement presentation requirements for governmental units which are significantly different from the reporting requirements under the regulatory basis of accounting in the State of New Jersey. Generally Accepted Accounting Principles (GAAP) prescribes that the financial statements must be presented on an entity wide basis including all funds exclusive of fiduciary funds and segregating only government type and business type funds. The statements are presented on a full accrual basis and include all of the non fiduciary assets and liabilities of the entity. In addition, GAAP requires separate fund basis financial statements for all governmental, proprietary and fiduciary funds. The New Jersey Regulatory basis requires reporting of the appropriate separate fund financial statements and the fixed asset account group.

D. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Not Yet Effective

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the City's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the City's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the City's financial reporting.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the City’s financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 “Government Combinations and Disposals of Government Operations”. This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the City’s financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2012 and 2011 statutory budgets included a reserve for uncollected taxes in the amount of \$350,186 and \$437,020, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2012 and 2011 statutory budgets was \$275,000 and \$300,000 respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. There were no significant budget transfers approved in the 2011 calendar year. The following significant budget transfers were approved in the 2012 calendar year:

	2012
Tax Collector – Salaries & Wages	9,750
Fire Official – Salaries & Wags	18,000
Landfill Tipping Fees	15,000
Interest on Bonds	46,179
Payment of School Bond Principal	9,685
Legal Services – Other Expenses	(46,179)
Planning Board – Other Expenses	(9,685)
Municipal Court – Salaries & Wages	(42,750)

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2012 calendar year, no significant budget insertions were approved by City Council. During the 2011 calendar year, City Council approved a budget insertion in the amount of \$47,199 from Garden State Historic Preservation Trust Fund for renovations to the City’s Historical Society Building.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. During the 2012 calendar year, the following emergencies and special emergency were approved by City Council.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Emergency		
Municipal Court Shared Services	\$	65,917
Payment of Bond Principal		74,670
Payment of School Bond Principal		25,330
Special Emergency		
Property Revaluation		200,900

During the 2011 calendar year, no emergency or special emergency authorizations were approved by City Council.

In addition, NJSA 40A:4-60 permits the Governing Body to cancel, by resolution, any unexpended balances of appropriations prior to year end. The following significant cancellations were approved in the 2012 and 2011 calendar years:

	<u>2012</u>	<u>2011</u>
Municipal Clerk		
Other Expenses	8,000	
Legal Services and Costs		
Other Expenses	15,000	
Road Repairs and Maintenance		
Salaries and Wages	15,000	
Police		
Salaries and Wages	20,000	75,000
Employee Group Insurance	25,000	25,000
Public Works		
Salaries and Wages		15,000
Landfill – Tipping Fees		40,000
Gasoline	9,000	
Electricity	10,000	
Street Lighting	20,000	
Natural Gas	30,000	20,000
Social Security	20,000	
Unemployment Compensation Insurance	8,000	

Note 3: INVESTMENTS

As of December 31, 2012 and 2011, the municipality had no investments.

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Concentration of Credit Risk. The municipality places no limit on the amount the City may invest in any one issuer.

Unaudited Investments

As more fully described in Note 18, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life Company, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2012 and 2011 amounted to \$116,887 and \$105,851, respectively. The information on 5% or more invested with Lincoln Benefit Life Company is not yet available.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2012, \$0 of the municipality's bank balance of \$2,905,897 was exposed to custodial credit risk. As of December 31, 2011, \$0 of the municipality's bank balance of \$2,534,166 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2012 and 2011 consisted of the following:

	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/12</u>	Due in <u>One Year</u>
General	\$11,624,768	7,475,931	6,704,619	12,396,080	544,900
School	5,427,514	1,280,000	2,355,699	4,351,815	1,035,492
Comp. Absences	715,134	174,122	235,909	653,347	
Total	\$17,767,416	8,930,053	9,296,227	17,401,242	1,580,392

	Balance <u>12/31/10</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/11</u>	Due in <u>One Year</u>
General	\$12,090,130		465,362	11,624,768	500,435
School	6,618,881		1,191,367	5,427,514	1,040,699
Comp. Absences	810,758		95,624	715,134	
Total	\$19,519,769	0	1,752,353	17,767,416	1,541,134

As of December 31, 2012, all outstanding bonds are included in the general capital fund and interest and principal reductions are included in the current operating budget of the City.

The regulatory basis of accounting in New Jersey does not recognize accumulated absences as long-term debt. Accumulated absence liabilities are more fully described in Note 14.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

Summary of Municipal Debt

Long-term debt as of December 31, 2012 consisted of the following:

\$6,950,000 General Obligations Bonds dated July 1, 2003 for various improvements in the City with a balance due on December 31, 2012 of \$80,000. On February 7, 2012, the City exercised their option to redeem the bonds that were due to mature on and after July 15, 2014. Interest is paid semi-annually on January 15 and July 15. The final payment, including interest at 4% per annum, is due July 15, 2013.

\$2,020,000 General Obligations Bonds dated September 15, 2005 for various improvements in the City with a balance due on December 31, 2012 of \$830,000. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.25% to 3.625%. The final payment is due August 1, 2016.

\$4,099,222 General Obligation Bonds dated September 1, 2010 for various improvements in the City with a balance due on December 31, 2012 of \$3,933,550. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$5,960,000 General Obligation Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. The total savings to the City was \$378,045, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2012 was \$5,945,000.

\$148,500 Green Trust Loan dated December 22, 1997 for Construction of a bike path in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2012 of \$46,889. The bonds are payable semiannually on March 22 and September 22. Interest is calculated at 2%. The final payment is due March 22, 2018.

\$150,000 Green Trust Loan dated July 9, 2002 for Lighting at All Wars Memorial Park in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2012 of \$83,894. The bonds are payable semiannually on January 15 and July 15. Interest is calculated at 2%. The final payment is due January 15, 2022.

\$237,500 New Jersey Environmental Infrastructure Trust Loan dated November 28, 2007 for the purchase of a public works vehicle. Principal payments on this loan were payable annually on August 1, with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.20% to 3.32%. The final payment was made on August 1, 2012.

\$237,500 New Jersey Environmental Infrastructure Trust Loan dated November 28, 2007 for the purchase of a public works vehicle. Semiannual principal payments were due on February 1 and August 1. Based on the agreement with the State, this loan was interest free. The final payment was made on August 1, 2012.

\$360,000 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Principal payments on this loan are payable annually on August 1, with a balance due on December 31, 2012 of \$360,000, with interest paid semi-annually on February 1 and August 1. Interest rates vary from 2.00% to 5.00%. The final payment is due August 1, 2031.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

\$1,155,931 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Semiannual principal payments were due on February 1 and August 1, with a balance due on December 31, 2012 of \$1,116,747. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2031.

\$4,740,000 School Refunding Bonds dated July 1, 2003 with a balance due on December 31, 2012 of \$470,000. The bonds are payable annually on May 15 and November 15. Interest rates vary from 2% to 3.125%. The final payment is due November 15, 2013. Bonds maturing on or after 7/15/14 are redeemable at the option of the City in whole or in part on any date on or after 7/15/13.

\$1,510,000 School Bonds dated July 1, 2003 for school renovations, additions and improvements and real property acquisition with a balance due on December 31, 2012 of \$20,000. On February 7, 2012, the City exercised their option to redeem the bonds that were due to mature on and after July 15, 2014. The final payment, including interest at 4.1% per annum, is due July 15, 2013.

\$2,755,000 School Bonds dated September 15, 2005 for school renovations and upgrades with a balance due on December 31, 2012 of \$1,960,000. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.5% to 4.0%. The final payment is due August 1, 2024. Bonds maturing on or after 8/1/16 are redeemable at the option of the City in whole or in part on any date on or after 8/1/15.

\$230,778 School Bonds dated September 1, 2010 for construction and various improvements to the two elementary schools located within the City with a balance due on December 31, 2012 of \$221,450. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$1,280,000 School Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. As indicated above, the total savings to the City was \$73,896, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2012 was \$1,275,000.

\$7,702,000 School Loans dated August 18, 1993 with a balance due on December 31, 2012 of \$405,365. The loans are payable annually on July 15. Interest is calculated at 1.5%. The final payment is due July 15, 2013.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Year Ending December 31,		Principal	Interest	Total
2013	\$	1,580,395	493,573	2,073,968
2014		1,555,352	452,983	2,008,335
2015		1,580,687	417,462	1,998,149
2016		1,616,026	374,211	1,990,237
2017		1,561,374	329,650	1,891,025
2018-2022		7,020,078	929,191	7,949,269
2023-2027		1,498,881	81,468	1,580,349
2028-2031		335,102	7,964	343,067
Total	\$	<u>16,747,895</u>	<u>3,086,502</u>	<u>19,834,399</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

As of December 31, 2012, the carrying value of the above bonds approximates the fair value of the bonds. The debt service for the School Bonds is included in the municipal budget as a component of the Amount to be Raised by Taxation but is a component of the school tax levy. During the calendar years 2012 and 2011, the City's total amount to be raised by taxation included \$1,022,242 and \$1,166,526 respectively, for Local District School Tax.

<u>Summary of Municipal Debt</u>	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
Bonds & Notes Issued:			
General	\$ 12,833,190	11,836,313	12,090,131
School	<u>4,351,815</u>	<u>5,427,514</u>	<u>6,618,881</u>
Net Bonds & Notes Issued	17,185,005	17,263,827	18,709,011
Bonds & Notes Authorized But Not Issued:			
General	1,197,296	3,588,224	2,888,223
School	<u>240,000</u>	<u>240,000</u>	<u>0</u>
Net Bonds & Notes Authorized But Not Issued	<u>1,437,296</u>	<u>3,828,224</u>	<u>2,883,223</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 18,622,301</u>	<u>21,092,051</u>	<u>21,597,234</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.239%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$4,591,815	4,591,815	0
Regional School District Debt	14,676,551	14,676,551	0
General Debt	<u>14,030,486</u>	<u>0</u>	<u>14,030,486</u>
	<u>\$33,298,852</u>	<u>19,268,366</u>	<u>14,030,486</u>

Net Debt \$14,030,486 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,132,085,568 = 1.239%. The above information is in agreement with the Annual Debt Statement filed by the City.

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 1/2 % of Equalized Valuation Basis (Municipal)	\$39,622,995
Net Debt	<u>14,030,486</u>
Remaining Borrowing Power	<u>\$25,592,509</u>

Note 6: SHORT TERM OBLIGATIONS

<u>Bank</u>	<u>Balance 12/31/11</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance 12/31/12</u>
General Capital Note	\$211,545	225,565	0	437,110
Special Emergency Note		<u>200,900</u>		<u>200,900</u>
	<u>\$211,545</u>	<u>426,465</u>	<u>0</u>	<u>638,010</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

<u>Bank</u>	<u>Balance 12/31/10</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance 12/31/11</u>
General Capital Note	\$0	211,545	0	211,545
	<u>\$0</u>	<u>211,545</u>	<u>0</u>	<u>211,545</u>

As of December 31, 2012 the City had the following bond anticipation note outstanding with the Depository Trust Company.

<u>Bank</u>	<u>2012 Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>
Current Fund (Special Emergency) Cape Bank	<u>\$200,900</u>	1.75%	8/6/13
General Capital Cape Bank	211,545	1.85%	9/6/13
Cede & Co.	<u>225,565</u>	2.25%	8/6/13
Total Special Emergency and Bond Anticipation Notes	<u>\$437,110</u>		

It is the intent of the City to renew the special emergency note, after a pay down of \$40,180, for an additional one year period upon maturity. It is also the intent of the City to renew the bond anticipation notes for an additional one year period upon maturity, with no pay down.

Note 7: LEASES OBLIGATIONS

The City was leasing two (2) copy machines under operating leases. The total lease payments in 2012 and 2011 were \$3,264 and \$9,792 respectively. The term for both leases was 36 months and they expired April 24, 2012.

In March 2012, the City entered into agreements to lease two (2) copy machines under operating leases. The total lease payments in 2012 was \$8,163. The term for both leases is 48 months and they will expire on February 20, 2016. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In addition, effective October 4, 2012, the City is leasing two (2) Dodge Charger police vehicles under a capital lease. However, since the cars do not meet the threshold established by New Jersey Statutes for capital items, the leases are treated as operating. Annual lease payments of \$23,799, which include interest at a rate of 5.95% per annum, are due each October 4, commencing in 2012. The final lease payment is due October 4, 2015 at which time the City can purchase the vehicles for \$1.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Future minimum payments under these leases:

<u>Year</u>	<u>Equipment</u>	<u>Vehicles</u>
2013	\$9,792	23,799
2014	9,792	23,799
2015	9,792	23,799
2016	2,448	0
Total minimum lease payments	31,824	71,397
Less amount representing interest	0	(7,723)
Present value of minimum lease payments	\$31,824	63,674

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2012 and 2011 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Current Fund	\$ 150,000	275,000

As of the date of this audit report, the City has not adopted the 2013 Local Municipal Budget and the above amount is subject to change. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2013 budget is \$292,274, which includes \$200,900 as non-cash surplus.

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, the following deferred charges are shown on the balance sheets of the various funds.

	Balance 12/31/12	2013 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency NJSA 40A:4-55	\$200,900	40,180	160,720
Emergency Appropriation	165,917	165,917	0
Overexpenditure of Appropriations	10,665	0	10,665
	\$377,482	206,097	171,385

As of the date of this audit report, the City has not adopted the 2013 Local Municipal Budget and the above amounts are subject to change.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 10: SCHOOL TAXES

Local District and Regional High School Taxes have been raised and remitted to the respective district in the following amounts:

	<u>2012</u>	<u>2011</u>
Local School District	\$10,889,051	10,936,199
Regional High School District	6,186,236	6,151,476

Since the school districts operate on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

Note 11: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance</u> <u>12/31/12</u>	<u>Balance</u> <u>12/31/11</u>
Prepaid Taxes	\$248,321	241,887
Cash Liability for Taxes Collected in Advance	<u>248,321</u>	<u>241,887</u>

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System and the Police and Fireman's Retirement System cost sharing multiple-employer defined benefit pension plans which have been established by State Statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Police and Fireman's Retirement System. This report may be obtained by writing to the division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state of local jurisdiction.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2012 AND 2011

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15:c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of new Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 6.4% of covered payroll. The City's contributions to PERS for the years ended December 31, 2012, 2011 and 2010 were \$202,546, \$209,296, and \$188,103.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The current PFRS rate is 13.2% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2012, 2011, and 2010 were \$428,496, \$430,342, and \$350,462.

Note 13: POST-RETIREMENT BENEFITS

The New Jersey State Health Benefits Commission administers cost-sharing multiple-employer health care plans under the State Health Benefits Program and the School Employees' health plan. The New Jersey State Health Benefits Plan (SHBP) provides access to health care coverage to eligible retirees who qualify based on state law and local requirements. Coverage under the current program includes medical, prescription drug mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State of New Jersey pays a portion of the cost for retirees, spouses and dependents.

Members of the Public Employees' Retirement System would generally qualify for coverage under the following criteria:

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Service Retirement	Eligible at age 60
Early Retirement	Eligible after 25 years of service
Service or Early Retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
Ordinary Disability Retirement	Eligible after 10 years of service Eligible upon total and permanent disability prior to age 65 as a result of a duty injury
Accidental Disability	

Members of the Police and Firemen’s Retirement System would generally qualify for coverage under the following criteria:

Service Retirement	Eligibility means age 55 or 20 years of credited service for an employee who is a member of the Retirement System as of January 18, 2000 and age 55 for an employee who became a member of the Retirement System after January 18, 2000. Mandatory at age 65.
Service or Early retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
Ordinary Disability Retirement	A member is eligible for Ordinary Disability Retirement if he/she has 4 years of service and is totally and permanently incapacitated from the performance of usual or available duties.
Accidental Disability Retirement	A member is eligible upon total and permanent incapacitation from the performance of usual and available duties as a result of injury during the performance of regular duties.
Special Disability Retirement	A member is eligible for Special Disability Retirement if he/she has 5 years of credited service, is under age 55, and has received a heart transplant.

The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to <http://www.state.nj.us/treasury/pensions/health-benefits.shtml>.

The City of Linwood is a member of the SHBP and provides that its retirees will be covered for medical care. During 2012, \$702,447 was paid by the City for health care of employees and retirees. The amount paid for retirees was \$368,399. The amount paid during 2011 was \$741,008 for employees and \$311,995 for retirees.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 14: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material. At December 31, 2012 and 2011, we have estimated this liability to be approximately \$653,347 and \$715,134, respectively. The realization of this liability may be affected by conditions that could preclude an employee from receiving full payment of the accrual.

Note 15: ECONOMIC DEPENDENCY

The City of Linwood is not economically dependent on any one business or industry within the City.

Note 16: LITIGATION

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a contingent liability to the City.

Note 17: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2012 and 2011 the City did not incur claims in excess of the coverage and the amount of coverage did not significantly decrease.

The City of Linwood is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a liability limit of \$10,000,000 under MEL. There has not been a reduction in coverage and there have not been any claims in excess of coverage.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the City is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2012 and 2011 was \$1,368 and \$11,748 respectively.

Note 18: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2003 the voters of the City of Linwood approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the City of Linwood by referendum at the general election in November of 2003. This plan is made available to all bona fide eligible volunteers who are performing qualified services

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The balance is subject to the general creditors of the City. Contributions by the City for qualified participants were \$14,265 and \$15,000 for 2011 and 2010 respectively. This payment is made in the subsequent year for participants who met the required qualifications.

Note 19: TAX ABATEMENT PROGRAM

The tax abatement program was established to encourage commercial and industrial development in the City. It is a five year program where real estate taxes on the approved buildings are abated and payments are made in lieu. Specific qualifications for properties are delineated in the Code Book of the City. Qualifying properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years. During the 2012 and 2011 calendar years, the tax abatement program generated \$0 in revenue for the City.

Note 20: GRANTS AND CONTRACTS

During the 2012 calendar year, the City was awarded a grant for the Reconstruction of Poplar Avenue. A contract in the amount of \$163,291 was awarded on this project during 2012, of which \$92,829 remained open as of December 31, 2012.

The City also awarded a contract in the amount of \$1,164,612 for the Southwest Linwood Flood Control project. This project is funded by City Ordinance #8 of 2010, as adopted on March 24, 2010. As of December 31, 2012, a balance of \$124,093 remained on this contract.

In addition, the City awarded a contract in the amount of \$176,437 for Pedestrian Improvements on Poplar Avenue. This project is funded by a State of New Jersey Safe Routes to Transit Grant. As of December 31, 2012, a balance of \$8,895 remained on this contract.

Note 21: UNION CONTRACTS

As of December 31, 2012, the City's employees are organized in five collective bargaining units.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>	<u>Term</u>
PBA	Police	All uniformed police excluding Chief and Superior Officers	1/1/12-12/31/15
PBA	Police	Superior Officers	1/1/08-12/31/11
IAFF	Firefighters	All uniformed firefighters	1/1/10-12/31/14
Teamsters	Public Works	All public works employees excluding Superintendent, and police secretary	1/1/11-12/31/13

As of the date of this audit report, the City, the PBA is still negotiating a new employee contract for the superior officers in the police department.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 22: INTERFUND BALANCES

As of December 31, 2012, the following interfunds were included on the balance sheets of the various funds of the City of Linwood:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 4,556	
Grant Fund	162,790	
Other Trust Funds	101	
Public Defender Trust		989
Grant Fund:		
Current Fund		162,790
Trust Fund:		
Current Fund-		
Public Defender Trust	989	
Animal Control Fund		4,556
Other Trust Funds		101
	<u>\$ 168,436</u>	<u>168,436</u>

The amounts due to the Current Fund from the Animal Control Fund is the result of excess funds in the reserve for dog expenditures. The amount due from Other Trust Funds to the Current Fund is due to interest earned on bank accounts that has not yet been transferred. The amount due to the Public Defender Trust represents fees collected through the municipal court. The amount due from the Grant Fund to the Current Fund is the result of unexpended grant reserves which have been drawn down from the funding agencies.

Note 23: DEFERRED COMPENSATION

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 24: SUBSEQUENT EVENTS

Effective March 13, 2013, the City entered into a one year agreement with the Atlantic County Utilities Authority (ACUA) where the ACUA will provide solid waste and bulk waste collection services for the City. This contract will renew automatically each year through March 17, 2018 unless terminated by either party. After the fifth year, the City has the option to extend the agreement for an additional five year term. The City is obligated to pay \$165,700 for these services during the initial term of the contract. Any increases in cost will not exceed the percentage increase in the CPI-U for the Philadelphia SMSA of August of the contract year over August of the preceding year. In addition, the ACUA will assume ownership of a 2012 CNG Freightliner trash truck at a value of \$171,500. The value of this truck will be recaptured over five years, or \$34,300 per year. This value will be deducted from the annual contract costs. Invoices will be provided to the City each month for collections made during the preceding month.

The City has evaluated subsequent events through March 27, 2013, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

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SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 27, 2013, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that

we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as item 2012-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompany Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robert E. Swartz

Robert E. Swartz, CPA RMA #319

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

March 27, 2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal or State Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/12	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/12	Total Cumulative State Expenditures
Federal									
Passed through State of New Jersey									
Department of Community Affairs	14,228	1/1/11-12/31/11	24,898	\$1,970	20,128	1,970			
Small Cities Block Grant	14,228	1/1/12-12/31/12	20,128			20,128			
Department of Transportation	20,205	1/1/09-12/31/11	170,000	37,828		179,580	(2,785)	35,043	
Safe Routes to Schools	20,205	1/1/11-12/31/11	209,000	209,000				29,420	
Safe Routes to Transit									
FEMA		1/1/11-12/31/11	15,381	15,381				15,381	
Total Federal Funds				<u>264,179</u>	<u>20,128</u>	<u>201,678</u>	<u>(2,785)</u>	<u>79,844</u>	
State of New Jersey:									
Passed through:									
Department of Environmental Protection									
Clean Communities	4900-765-178920	1/1/11-12/31/11	14,291	9,183		8,566	(617)		13,674
Clean Communities	4900-765-178920	1/1/12-12/31/12	13,714		13,714	5,132	(8,566)	16	5,132
Recycling Tonnage Grant	4830-752-050580-50	1/1/12-12/31/12	17,778		17,778			17,778	0
Total Department of Environmental Protection				<u>9,183</u>	<u>31,492</u>	<u>13,698</u>	<u>(9,183)</u>	<u>17,794</u>	
Department of Community Affairs:									
Garden State Historic Preservation Trust	N/A	1/1/11-12/31/11	47,199	47,199	4,000	39,179		8,020	39,179
Sustainable Land Use Planning Grant	N/A	1/1/12-12/31/12	4,000		4,000		0	4,000	0
Division of Motor Vehicles									
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/09-12/31/09	2,729	1,319		594	(1)	724	2,004
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/10-12/31/10	3,660	820			(29)	791	2,840
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/11-12/31/11	3,660	3,660				3,660	0
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/12-12/31/12	2,415		2,415			2,415	0
Total Division of Motor Vehicles				<u>5,799</u>	<u>2,415</u>	<u>594</u>	<u>(30)</u>	<u>7,590</u>	
Department of Transportation									
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/10-12/31/10	190,000	166,999			(150,178)	16,821	63,937
Reconstruction of Poplar Avenue	6320-480-601381-61	1/1/11-12/31/11	180,000	180,000		40,936		139,064	40,936
Total Department of Transportation				<u>346,999</u>	<u>0</u>	<u>40,936</u>	<u>(150,178)</u>	<u>155,885</u>	
Division of Criminal Justice									
Body Armor Fund	1020-718-066-1020-001	1/1/10-12/31/10	1,013	40				40	973
Body Armor Fund	1020-718-066-1020-001	1/1/11-12/31/11	1,013	1,013				1,013	0
Body Armor Fund	1020-718-066-1020-001	1/1/12-12/31/12	3,607		3,607			3,607	0
Total Division of Criminal Justice				<u>1,053</u>	<u>3,607</u>	<u>0</u>	<u>0</u>	<u>4,660</u>	
Total State Funds				<u>410,233</u>	<u>41,514</u>	<u>94,407</u>	<u>(159,391)</u>	<u>197,949</u>	
Total Federal and State Financial Assistance				<u>\$674,412</u>	<u>61,642</u>	<u>296,085</u>	<u>(162,176)</u>	<u>277,793</u>	

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2012**

Note 1: BASIS OF PRESENTATION

The accompanying schedule of federal and state financial assistance includes the federal and state grant activity of the City of Linwood, New Jersey and is presented on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is a regulatory basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the City's financial statement. Receipts from federal and state grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the City's financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Expenditures per Schedule of Federal And State Awards	\$201,678	94,407	296,085
Add: Local Funding		6,749	6,749
Expenditures Reported in Basic Financial Statements	<u>\$201,678</u>	<u>101,156</u>	<u>302,834</u>

AUDIT FINDINGS AND RESPONSES

Finding 12-1

Criteria

Sufficient appropriation balances should exist prior to the issuance of any purchase order for goods or services.

Condition

An overexpenditure of appropriations was noted in the current fund as of December 31, 2012.

Cause

The overexpenditure resulted due to a budget transfer from Payment of Bond Principal to Interest on School Bonds. Both of these budget line items are not subject to the spending limitations. This transfer is not permitted as stated in NJSA 40A:4-45.38.

Effect

Overexpenditures of appropriations are not permitted by law (NJSA 40A:4-57) and are deferred charges to be raised in the budget of the succeeding year.

Recommendation

That internal controls be strengthened to eliminate overexpenditures of appropriations.

Management Response

The Chief Financial Officer will ensure all budget transfers are made in accordance with New Jersey State Statutes.

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2011		\$1,369,479	0
Increased by Receipts:			
Taxes Receivable	A-5	29,073,148	
Tax Title Liens Receivable	A-6	0	
Prepaid Taxes	A	248,321	
Sewer Rents Receivable	A-7	735,182	
Prepaid Sewer	A	340,397	
Revenue Accounts Receivable	A-8	1,248,554	
Appropriation Refunds		199,832	
Sewer Overpayments	A-7	896	
Special Emergency Note Payable		200,900	
Reserve to Pay Debt		14,124	
State of New Jersey -			
Senior Citizens and Veterans		86,564	
Marriage License Fees		650	
Petty Cash		100	
Interfunds		40,000	2,868
Due to Public Defender Trust		604	
Miscellaneous Revenue	A-2	111,005	
Due to State - Construction Training Fees		5,637	
Grant Unappropriated Reserves	A-12		9,462
Grant Receivables	A-10		745,048
		<u>32,305,914</u>	<u>757,378</u>
		33,675,393	757,378

See Accompanying Auditor's Report

**CURRENT FUND
 SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	Current Fund	Grant Fund
Decreased by Disbursements:			
2012 Appropriations	A-3	11,228,053	
2011 Appropriation Reserves	A-9	100,366	
State of New Jersey -			
Marriage License Fees		775	
Tax Overpayments		11,017	
Grant Appropriations	A-11		302,834
Due to Current Fund			15,791
Due to State - Construction Training Fees		6,557	
Petty Cash Fund		100	
County Taxes		3,864,226	
County Added Taxes		9,853	
Local District School Tax		10,794,369	
Regional High School Tax		6,186,236	
		32,201,552	318,625
Balance December 31, 2012	A	\$1,473,841	438,753

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

YEAR	Balance Dec. 31, 2011	2012 Levy	Added Taxes	6% Penalty	Overpayments Created	Collections by Cash 2011	Collections by Cash 2012	Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance Dec. 31, 2012
2010	\$499						499				0
2011	341,894	4,158					346,052				0
	342,393	4,158	0	0	0	0	346,551	0	0	0	0
2012		29,853,838				241,887	28,813,347	7,500	401,202	2,130	387,772
	\$342,393	29,857,996	0	0	0	241,887	29,159,898	7,500	401,202	2,130	387,772

Ref. A

A-6 A

Cash Collected	A-4	\$29,073,148
Senior Citizen & Veteran Allowances		<u>86,750</u>
		<u>\$29,159,898</u>

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF
PROPERTY TAX LEVY
(CONTINUED)**

Analysis of 2012 Property Tax Levy

Tax Yield		
General Property Tax		\$29,802,127
Added Taxes (54:4-63.1,63.12 et.seq.)		<u>51,711</u>
		<u><u>29,853,838</u></u>
Tax Levy	<u>Ref.</u>	
Local District School Tax (Abstract)		10,889,051
Regional High School Tax (Abstract)		6,186,236
County Tax (Abstract)		3,864,226
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		<u>6,736</u>
		20,946,249
Local Tax for Municipal Purposes	A-2	7,456,310
Addition to Local School Tax	A-2	1,022,242
Minimum Library Tax	A-2	379,865
Add: Additional Tax Levied		<u>49,172</u>
Local Tax for Municipal Purposes Levied		<u>8,907,589</u>
		<u><u>\$29,853,838</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2011	A		\$9,406
Increased by:			
Transfers from Taxes Receivable	A-5	2,130	
Interest and Costs Accrued on Sale of October 4, 2012		<u>0</u>	
			<u>2,130</u>
			11,536
Decreased by:			
Collections	A-4		<u>0</u>
Balance December 31, 2012	A		<u><u>\$11,536</u></u>

**CURRENT FUND
SCHEDULE OF SEWER RENTS**

	<u>Ref.</u>		
Balance December 31, 2011	A		\$30,668
Increased by:			
Sewer Charges Levied in 2012		<u>1,085,859</u>	
			<u>1,085,859</u>
			1,116,527
Decreased by:			
Prepaid in 2011	A	343,699	
Overpayments Applied		1,865	
Overpayments Created	A-4	(896)	
Cash	A-4	<u>735,182</u>	
			<u>1,079,850</u>
Balance December 31, 2012	A		<u><u>\$36,677</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	<u>Ref.</u>	Balance Dec. 31, 2011	Accrued in 2012	Collected by Treasurer	Balance Dec. 31, 2012
Interest on Taxes	A-2		77,278	77,278	
Code Enforcement:					
Building Permits	A-2		154,216	154,216	
Other Licenses	A-2		46,016	46,016	
Municipal Court:					
Fines and Costs	A-2	8,724	110,012	112,193	6,543
Parking Permits	A-2		7,855	7,855	
Planning and Zoning Permits	A-2		12,700	12,700	
Energy Receipts Tax	A-2		555,835	555,835	
Consolidated Municipal Property Tax Relief	A-2		15,773	15,773	
Building Aid Allowance for Schools	A-2		169,391	169,391	
Uniform Fire Fees	A-2		12,533	12,533	
Bell Atlantic Nynex Tower	A-2		58,900	58,900	
Investment Interest	A-2		25,864	25,864	
		<u>\$8,724</u>	<u>1,246,373</u>	<u>1,248,554</u>	<u>6,543</u>
	Ref.	A	Res.	A-4	A

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011**

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- expended
Municipal Clerk					
Other Expenses	\$5,544	5,544	5,544	0	
Financial Administration					
Other Expenses	3,030	3,030	1,211	1,819	
Collection of Taxes					
Other Expenses	1,086	1,086	137	949	
Engineering Services and Costs					
Other Expenses	3,091	3,091	2,995	96	
Public Buildings and Grounds					
Other Expenses	4,690	4,690	2,578	2,112	
Municipal Land Use Law(NJSA 40:55D-1)					
Planning Board					
Other Expenses	6,152	6,152	736	5,416	
Board of Adjustment					
Other Expenses	7,017	7,017	3,138	3,879	
Insurance					
Other Insurance	1,694	1,694	1,694	0	
Fire					
Miscellaneous Other Expenses	16,389	16,389	13,825	2,564	
Police					
Other Expenses	47,144	47,144	42,346	4,798	
Communications					
Other Expenses	2,839	2,839	2,500	339	
Emergency Management Services					
Other Expenses	407	407	407		
Municipal Court					
Other Expenses	1,958	1,958	168	1,790	
Road Repairs and Maintenance					
Other Expenses	8,840	8,840	6,515	2,325	
Sewer System					
Other Expenses					
Operation and Maintenance	4,416	4,416	2,000	2,416	
Landfill - Tipping Fees	3,763	3,763	12	3,751	
Animal Control Service					
Other Expenses	1,700	1,700	800	900	
Parks and Playgrounds					
Other Expenses	1,652	1,652	541	1,111	
Construction Official					
Other Expenses	1,874	1,874	464	1,410	
Utilities					
Telephone and Telegraph	1,009	1,009	117	892	
Fire Hydrant Service	11,139	11,139	11,138	1	
Other Accounts - No Changes	109,064	109,064		109,064	
	<u>\$244,498</u>	<u>244,498</u>	<u>98,866</u>	<u>145,632</u>	<u>0</u>

A-4

A-1

Disbursed	A-4	100,366
Appropriation Refunds		(1,500)
		<u>98,866</u>

See Accompanying Auditor's Report

**STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Grant</u>	Balance Dec. 31, 2011	Transferred from 2012 Budget Revenues	Received	Adjusted	Balance Dec. 31, 2012
State of New Jersey:					
New Jersey Transportation Trust Fund			121,362		58,638
Reconstruction of Poplar Avenue	\$180,000		63,420		
Reconstruction of Maple Avenue	63,420		13,509		822
Clean Communities Program	617	13,714	17,778		
Recycling Tonnage Grant		17,778	3,607		
Body Armor		3,607	537		
Drunk Driving Enforcement 2009	537		444		3,216
Drunk Driving Enforcement 2011	3,660		2,415		
Drunk Driving Enforcement 2012		2,415			
Garden State Historic Preservation Trust			27,078		20,121
Leedsville School Project	47,199				4,000
Sustainable Land Use Planning Grant		4,000			
Federal:					
Community Development Block Grant - 2011	24,898		18,060		6,838
Community Development Block Grant - 2012		20,128			20,128
FEMA Grant # 1889	358				358
FEMA Grant # 1954	15,381				15,381
Safe Routes to Schools	160,000		124,957		35,043
Safe Routes to Transit - Poplar Avenue	209,000		110,814		98,186
Local:					
Atlantic County Drug Alliance	12,812	11,470	14,102		10,180
Frank H. Stewart Trust Fund			250,000		
Acquisition of Land for City Purposes		250,000			
	<u>\$717,882</u>	<u>323,112</u>	<u>768,083</u>	<u>0</u>	<u>272,911</u>
Ref.	A	A-2	A	A	A
	Received in Cash	A-4	745,048		
	Prior Year Appropriation Reserves	A-12	23,035		
			<u>768,083</u>		

See Accompanying Auditor's Report

**STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVE FOR FEDERAL AND STATE GRANTS**

<u>Grant</u>	Balance Dec. 31, 2011	Transferred from 2012 Budget Appropriations	Expended	Encumbered	Canceled	Balance Dec. 31, 2012
State of New Jersey:						
Body Armour Grant	\$40	3,607				3,647
Recycling Tonnage Grant		17,778				17,778
Clean Communities Grant		13,714	13,698			16
New Jersey Transportation Trust Fund Reconstruction of Maple Avenue Reconstruction of Poplar Avenue	16,821 180,000		40,936	122,619		16,821 16,445
Garden State Historic Preservation Trust	47,199		39,179			8,020
Drunk Driving Enforcement Fund-2009	1,318		594			724
Drunk Driving Enforcement Fund-2010	585				(206)	791
Drunk Driving Enforcement Fund-2011	3,660	2,415				3,660
Drunk Driving Enforcement Fund-2012						2,415
Sustainability Land Use Planning Grant		4,000		4,000		
Federal:						
Community Development Block Grant - 2011	1,970		1,970			
Community Development Block Grant - 2012		20,128	20,128			
FEMA #1954	15,381					15,381
Safe Routes to Schools	17,667				(17,376)	35,043
Safe Streets to Transit - Poplar Avenue	209,000		179,580	23,858		5,562
Local:						
Atlantic County Drug Alliance- County	2,405	11,470	6,299			7,576
Atlantic County Drug Alliance- Local	2,638	2,868	450			5,056
Frank H. Stewart Trust - Acquisition of Land for City Purposes		250,000				250,000
	<u>\$498,684</u>	<u>325,980</u>	<u>302,834</u>	<u>150,477</u>	<u>(17,582)</u>	<u>388,935</u>

Ref. A

A-3

A-4

A

See Accompanying Auditor's Report

**STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVE FOR FEDERAL AND STATE GRANTS**

<u>Grant</u>	Balance Dec. 31, 2011	Transferred to 2012 Budget Appropriations	Received	Balance Dec. 31, 2012
Drunk Driving Enforcement Fund	\$2,415	2,415		
Body Armor Grant	2,842	2,842	1,050	1,050
Recycling Tonnage	17,778	17,778	8,412	8,412
	<u>\$23,035</u>	<u>23,035</u>	<u>9,462</u>	<u>9,462</u>
Ref. A	A	A-11	A-4	A

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	Animal Control	Other
Balance December 31, 2011	B	\$19,472	315,908
Increased by Receipts:			
Dog License Fees	B-2	2,543	
Cat License Fees	B-5	318	
Dog License Fees - State Share	B-4	520	
Bike Path Beautification	B-6		3,299
Bequest - Law Enforcement Fund	B-7		39
Municipal Recycling Receipts	B-8		722
Tax Premiums	B-10		41,320
Municipal Drug Alliance	B-11		2,028
Street Openings			11,431
Developer's Escrow			111,919
POAA			4
Payroll Withholdings			2,247,377
Due from Current Fund		151	
		<u>3,532</u>	<u>2,418,139</u>
		23,004	2,734,047
Decreased by Disbursements:			
Dog Fund Expenditures	B-2	1,168	
Due to State of New Jersey	B-4	522	
Due to Current Fund		151	
Reserve for Bike Path Beautification	B-6		2,335
Municipal Recycling Expenditures	B-8		479
Tax Premium Refunds	B-10		32,250
Street Openings			9,832
Payroll Withholdings			2,247,359
Arboretum Maintenance			3,094
Development Fees			31,634
Developer's Escrow			54,251
		<u>1,841</u>	<u>2,381,234</u>
Balance December 31, 2012	B	<u><u>\$21,163</u></u>	<u><u>352,813</u></u>
Analysis of Balance:			
Payroll Agency			624
Accumulated Absences			37,772
Developer's Escrow			197,006
Bike Path Beautification			5,394
Law Enforcement			6,148
Street Openings			15,352
Public Defender			50
Recycling			3,075
Municipal Alliance			9,614
Tax Title Lien Redemptions			74,270
Parking Offenses Adjudication Act			38
Uniform Fire Safety			3,470
			<u><u>352,813</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES**

	<u>Ref.</u>		
Balance December 31, 2011	B		\$6,100
Increased by:			
Dog License Fees Collected	B-1		<u>2,543</u>
			8,643
Decreased by:			
Expenditures	B-1	1,168	
Excess Due to Current Fund	B-3	<u>1,879</u>	
			<u>3,047</u>
Balance December 31, 2012	B		<u><u>\$5,596</u></u>

License Fees Collected:

<u>Year</u>	<u>Amount</u>
2011	<u>2,672</u>
2010	<u>2,924</u>
	<u><u>5,596</u></u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) CURRENT FUND - DOG LICENSE FUND

	<u>Ref.</u>		
Balance December 31, 2011	B		\$2,677
Increased by:			
Excess Due Current Fund	B-2	1,879	
Interest Due Current Fund		<u>151</u>	
			<u>2,030</u>
			4,707
Decreased by:			
Payments	B-1		<u>151</u>
Balance December 31, 2012	B		<u><u>\$4,556</u></u>

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HEALTH

	<u>Ref.</u>		
Balance December 31, 2011	B		\$2
Increased by:			
2012 State License Fees	B-1		<u>520</u>
			522
Decreased by:			
Disbursements to the State	B-1		<u>522</u>
Balance December 31, 2012	B		<u><u>\$0</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR CAT REGISTRATIONS**

	<u>Ref.</u>	
Balance December 31, 2011		\$10,693
Increased by:		
Cat License Fees Collected	B-1	<u>318</u>
Balance December 31, 2012	B	<u><u>\$11,011</u></u>

**SCHEDULE OF RESERVE FOR BIKE PATH BEAUTIFICATION
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2011	B	\$4,429
Increased by:		
Contributions for Trees and Benches	B-1	<u>3,299</u>
		7,728
Decreased by:		
Disbursements	B-1	<u>2,335</u>
Balance December 31, 2012	B	<u><u>\$5,393</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2011	B	\$6,109
Increased by:		
Bequest Received	B-1	39
Balance December 31, 2012	B	\$6,148

**SCHEDULE OF RESERVE FOR RECYCLING TRUST
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2011	B	\$2,832
Increased by:		
Municipal Recycling Receipts	B-1	<u>722</u>
		3,554
Decreased by:		
Recycling Expenditures	B-1	<u>479</u>
Balance December 31, 2012	B	<u><u>\$3,075</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR PUBLIC DEFENDER
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2011	B	\$536
Increased by:		
Due from Current Fund		<u>503</u>
Balance December 31, 2012	B	<u><u>\$1,039</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTIONS
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2011	B	\$65,200
Increased by Receipts:		
Premiums received at Tax Sale		41,249
Interest earned		<u>71</u>
	B-1	<u>41,320</u>
		106,520
Decreased by Disbursements:		
Refund upon redemption	B-1	<u>32,250</u>
Balance December 31, 2012	B	<u><u>\$74,270</u></u>

**SCHEDULE OF RESERVE FOR DRUG ALLIANCE
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2011	B	\$7,586
Increased by:		
Drug Alliance Receipts	B-1	<u>2,028</u>
Balance December 31, 2012	B	<u><u>\$9,614</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>		
Balance December 31, 2011	C		\$814,185
Increased by:			
Budget Appropriation:			
Capital Improvement Fund	C-6	11,872	
Premium on Bond Anticipation Note		5	
Reimbursements		20,704	
NJEIT Drainage Project Reimbursements		1,175,899	
Bond Anticipation Notes	C-8	<u>225,565</u>	
			<u>1,434,045</u>
			2,248,230
Decreased by:			
Improvement Authorizations	C-7	1,602,141	
Budget Appropriations			
Capital Surplus	C-1	<u>40,000</u>	
			<u>1,642,141</u>
Balance December 31, 2012	C		<u><u>\$606,089</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2011	Budget		Receipts		Bond Anticipation		Improvement		Transfers		Balance Dec. 31, 2012
		Appropriation	Miscellaneous	Miscellaneous	Notes	Miscellaneous	Authorizations	From	To			
Fund Balance	\$44,248											25,762
Capital Improvement Fund	58,305	11,872		5		40,000				11,872	21,509	58,305
Encumbrance Payable	559,535									559,535	287,086	287,086
Improvement Authorizations:												
<u>Ordinance</u>												
<u>Number</u>												
9-02	334									334		0
10-03	4,524											4,524
1-04	49,867											49,867
12-04	(49,866)											(49,866)
9-05	(3,350)									1,175		(4,525)
13-06	3,702							3,702				0
14-07	90,512							65,484		23,656	32,567	33,939
14-08	62,028							97,464			90,846	55,410
7-09	(63,451)			20,704				0			42,747	0
11-09	14,891							70,563			68,084	12,412
8-10	(145,535)			1,175,899				1,102,927		120,154	139,950	(52,767)
9-10	413							0				413
10-10	69,777							66,292		60,182	96,576	39,879
17-10	1,367							0				1,367
10-11	116,884							83,839		79,394	88,765	42,416
13-12								111,870		23,700	11,872	101,867
	\$814,185	11,872	1,196,608	225,565	225,565	40,000	1,602,141	880,002	880,002	880,002	606,089	
	C	C-2	C-5	C-5	C-2:C-7	C-C-2						

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>Ref.</u>		
Balance December 31, 2011	C		\$17,052,282
Increased by:			
2012 Refunding Bond Issue			
General Obligations	C-9	5,960,000	
School Bonds	C-11	1,280,000	
New Jersey Environmental Infrastructure Trust Loan	C-13	<u>1,515,931</u>	
			<u>8,755,931</u>
			25,808,213
Decreased by:			
Municipal Bonds	C-9	6,529,670	
School Bonds	C-11	1,950,330	
School Loans	C-12	405,369	
Green Trust Loan	C-10	15,931	
Environmental Infrastructure Trust Loans	C-13	<u>159,018</u>	
			<u>9,060,318</u>
Balance December 31, 2012	C		<u><u>\$16,747,895</u></u>

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2011	<u>Ref.</u> C		\$58,305
Increased by:			
Budget Appropriation	A-3:C-2	11,872	11,872
			70,177
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-7		11,872
Balance December 31, 2012	C		\$58,305

GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2011		Capital Improvement Fund	2012 Authorizations		Paid or Charged	Prior Year Encumbered	Encumbered	Canceled	Reimbursed	Balance Dec. 31, 2012	
				Funded	Unfunded		Deferred Charge to Future Taxation	Funded						Unfunded	
9-02	Various Improvements (d) Building Improvements	4/10/02	3,100,000	\$334								334			
9-05	Various Improvements (a) Building Improvements (g) Roadway Improvements	5/11/05	1,120,995	1,175								1,175			
13-06	Various Improvements (b) Improvements to Roads	5/24/06	648,585	3,702			3,702								
14-07	Various Improvements c. Office Equipment and Computers h. Improvements to Bldg & Grounds g. Improvements to Roads	5/9/07	1,478,028	1,163 30,327 59,022				27,596 37,888	17,892 14,675	2,947 709		20,000		1,163 17,676 15,100	
14-08	a Improvements to Bldg and Grounds c Public Works Generator d Purchase of Various Vehicles e Improvements to Roadways	8/13/08	910,634	5,899 9,610 3,180 43,339			7,605 68,667 21,192	9,106 66,666 15,074						7,400 9,610 1,179 37,221	
7-09	Clean Water Project - NEIF	3/25/09	875,000	811,549				42,747			20,704			781,334	
11-09	Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Trash Truck (c) Purchase of Public Safety Equipment	6/24/09	650,000	4,613 2,857 7,644			3,897 66,666	1,418 66,666						2,134 2,857 7,644	
8-10	Clean Water Project - NEIF	3/24/10	2,010,000	1,864,465			1,102,927	139,950		120,154				781,334	
9-10	Purchase of Police Vehicle	7/14/10	30,000	413										413	
10-10	Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Public Safety Equipment (c) Sewer System Improvements (d) Purchase of Computer Equipment (e) Purchase of Public Works Vehicle	6/9/10	225,750 24,255 48,143 5,250 95,550	1,503 4,255 15,219 1,250 50,550			20,476 817 0 44,999	51,576		4,932 9,250 46,000				27,671 3,438 5,969 1,250 4,551	
17-10	Purchase of Computer Server	11/10/10	5,000	1,367										1,367	
10-11	(a) Improvements to Roads (b) Purchase of public safety equipment (c) Purchase of public works equipment (d) Improvements to sewer system (e) Purchase of computers	7/13/11	68,567 39,686 95,000 14,427 5,000	17,423 28,934 46,351 13,705 4,750			35,111 36,801 10,457 1,470	34,114 10,752 43,899		8,003 2,760 68,631				8,423 125 15,912 14,427 3,530	
15-11	Refunding Bond issue	10/12/11	940,000	940,000										940,000	
13-12	Various General Improvements (a) Improvements to Roads (b) Purchase of fire safety equipment (c) Purchase of public works equipment (d) Improvements to recreation field	7/11/12	237,440				3,875 3,377 2,245 2,375	7,300 59,372 18,899 26,299		23,700				46,500 8,168 26,001 21,201	
				\$253,144	3,727,177		11,872	225,568	1,602,141	559,535	287,086	896,509	20,704	927,977	1,084,287
				C	C	C-6	C-4: C-5	C-2		Fund Balance	C-1			C	C
								Schedule of Deferred Charges-Unfunded			C-5				
												21,509			
												875,000			
												896,509			

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL BOND ANTICIPATION NOTES**

Ordinance Number	Improvement Description	Date of Original Note	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased	Paid	Balance Dec. 31, 2012
10-2011	Various General Improvements	9/8/2011	9/6/2013	1.85%	\$211,545			211,545
13-12	Various General Improvements	8/7/2012	8/6/2013	2.25%		225,565		225,565
Ref.					\$211,545	225,565	0	437,110
					C	C-2	C-9	C

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2012			Issued	Paid by Budget Appropriation	Balance Dec. 31, 2012
			Date	Amount	Int. Rate			
Sewer Bonds								
General Improvement Bonds	7/1/2003	6,950,000	7/15/13	80,000	4.000%	\$6,310,000	80,000	
General Improvement Bonds	9/15/2005	2,020,000	8/01/13	195,000	3.500%	1,020,000	830,000	
			8/01/14	205,000	3.500%			
			8/01/15	210,000	3.625%			
			8/01/16	220,000	3.625%			
General Improvement Bonds	9/1/2010	4,099,222	9/1/13	179,873	2.000%	4,028,220	3,933,550	
			9/1/14	449,684	2.000%			
			9/1/15	449,684	2.000%			
			9/1/16	449,684	2.000%			
			9/1/17	577,489	2.000%			
			9/1/18	596,423	2.250%			
			9/1/19	620,090	2.375%			
			9/1/20	610,623	2.500%			
General Improvement Bonds (Refunding)	2/7/2012	5,960,000	7/15/14	510,000	2.000%		5,945,000	
			7/15/15	520,000	3.000%	5,960,000	15,000	
			7/15/16	535,000	3.000%			
			7/15/17	550,000	3.000%			
			7/15/18	570,000	4.000%			
			7/15/19	600,000	4.000%			
			7/15/20	625,000	4.000%			
			7/15/21	650,000	4.000%			
			7/15/22	680,000	4.000%			
			7/15/23	705,000	4.000%			
						\$11,358,220	6,529,670	
						5,960,000	10,788,550	

Ref.

C

C-4

C

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Balance December 31, 2011	Ref.	
	C	\$54,877
Decreased by:		
Principal Paid by Budget Appropriation	C-2	7,988
Balance December 31, 2012	C	46,889

Purpose	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding December 31, 2012	
			Date	Amount
Construction of Bike Path	12/22/97	148,500	3/22/2013	4,054
			9/22/2013	4,094
			3/22/2014	4,135
			9/22/2014	4,176
			3/22/2015	4,218
			9/22/2015	4,261
			3/22/2016	4,303
			9/22/2016	4,346
			3/22/2017	4,390
			9/22/2017	4,434
			3/22/2018	4,478
				\$46,889

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Balance December 31, 2011	<u>Ref.</u> C	\$91,837
Decreased by:		
Loan payments	C-4	<u>7,943</u>
Balance December 31, 2012	C	<u><u>83,894</u></u>

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Loans Outstanding December 31, 2012</u>	
			<u>Date</u>	<u>Amount</u>
Lighting at All Wars Memorial Park	7/09/2003	150,000	01/15/13	4,031
			07/15/13	4,072
			01/15/14	4,112
			07/15/14	4,153
			01/15/15	4,195
			07/15/15	4,237
			01/15/16	4,279
			07/15/16	4,322
			01/15/17	4,365
			07/15/17	4,409
			01/15/18	4,453
			07/15/18	4,498
			01/15/19	4,543
			07/15/19	4,588
			01/15/20	4,634
			07/15/20	4,680
01/15/21	4,727			
07/15/21	4,774			
01/15/22	4,822			
				<u><u>\$ 83,894</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF (TYPE I) SCHOOL LOANS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2012		Int. Rate	Balance Dec. 31, 2011	Decreased		Balance Dec. 31, 2012
			Date	Amount			Paid by Budget Appropriation		
School Loan	8/18/93	4,118,500	7/15/2013	216,764	1.50%	\$433,518	216,764		216,754
School Loan	8/18/93	132,000	7/15/2013	6,947	1.50%	13,899	6,947		6,952
School Loan	8/18/93	3,451,500	7/15/2013	181,658	1.50%	363,317	181,658		181,659
						<u>\$810,734</u>	<u>405,369</u>		<u>405,365</u>
					Ref. C		C-4		C

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	NJEIF Loans Issued	Notes Issued	Cancelled	Balance Dec. 31, 2012
7-2009	Stormwater Drain System Improvements (Construction of Clean Water Project)	\$875,000				875,000	0
11-2009	Various General Improvements	223					223
8-2010	Stormwater Drain System Improvements (Construction of Clean Water Project)	2,010,000		1,515,931			494,069
10-2010	Various General Improvements	3,000					3,000
10-2011	Various General Improvements	1					1
15-2011	Refunding Bond Ordinance General Obligation Refunding Bonds School Refunding Bonds	700,000 240,000					700,000 240,000
13-2012	Various General Improvements		225,568		225,565		3
		<u>\$3,828,224</u>	<u>225,568</u>	<u>1,515,931</u>	<u>225,565</u>	<u>875,000</u>	<u>1,437,296</u>
Ref.		C	C-7	C-13	C-9		C

CITY OF LINWOOD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

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GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate of \$17,500 except by contract or agreement".

The governing body of the City of Linwood has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Reconstruction of Poplar Avenue, ADA Curb Ramp Improvements-Phase 5, Southwest Linwood Flood Control, Purchase of Public Works Vehicles.

The minutes indicate resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJS 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$17,500 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body, on January 5, 2012, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, R.S. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments; and

WHEREAS, R.S. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500;

NOW, THEREFORE, BE IT RESOLVED, by the Common Council of the City of Linwood, County of Atlantic, State of New Jersey as follows:

The Tax Collector is hereby authorized and directed to charge eight (8) percent per annum on the first \$1,500 of delinquency, and eighteen (18) percent per annum on any amount in excess of \$1,500, said amounts to be calculated from the date the tax is payable until the date of actual payment.”

In addition, the governing body, on January 5, 2012, adopted the following resolution authorizing the allowance of a grace period before charging a penalty for late payment of taxes:

“WHEREAS, NJSA 54:4-67 allows the governing body to fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent, and may provide that no interest shall be charged if payment of any installment is made within the tenth calendar day following the date upon which the same became payable; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to allow such a grace period of taxes, assessments and sewer charges;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood City Tax Collector is hereby duly authorized, empower and directed to charge a penalty starting on February 11, 2012 for the first quarter, May 11, 2012 for the second quarter, August 11, 2012 for the third quarter and November 11, 2012 for the fourth quarter.”

Further, the governing body on January 5, 2012, adopted the following resolution to impose a penalty on tax delinquencies in excess of \$10,000:

“WHEREAS, NJSA 54:4-67 allows the governing body to charge a taxpayer having a tax delinquency in excess of \$10,000 at the end of the calendar year, an amount not to exceed 6% of said delinquency; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to assess such a penalty;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood Tax Collector be and is hereby duly authorized, empowered and directed to charge a penalty in the amount of 6% for all delinquent taxes, assessments, or other municipal liens or charges in excess of \$10,000 which have not been paid prior to the end of this calendar year.”

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit. The last tax sale was held on October 4, 2012 and was complete,

The following comparison is made of the number of tax title liens receivable on December 31st of the last three years:

<u>Year</u>	<u>Tax</u>	<u>Sewer</u>
2012	3	0
2011	3	0
2010	2	0

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2012 and 2013 Taxes	5
Delinquent Taxes	5
Payment of 2012 and 2013 Sewer Charges	5
Municipal Court	5

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2012	\$29,853,838	29,062,734	97.35%
2011	30,076,358	29,526,625	98.17%
2010	28,720,845	28,062,608	97.71%
2009	27,061,581	26,768,111	98.92%
2008	26,292,679	26,022,597	98.97%

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	3.776	3.783	3.652	3.448	3.361
Apportionment of Tax Rate:					
Municipal	0.945	0.927	0.958	0.921	0.891
Municipal Library	0.048	0.050	0.000	0.000	0.000
County	0.490	0.504	0.47	0.436	0.414
Local School	1.510	1.526	1.491	1.444	1.436
Regional High School	0.784	0.776	0.733	0.647	0.620
Assessed Valuation	789,042,244	792,876,551	785,144,340	780,446,294	778,584,511

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total delinquent taxes and tax title liens, in relation to the tax levies of the last five years.

<u>Year</u>	Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage of Tax <u>Levy</u>
2012	\$11,536	387,772	399,308	1.34%
2011	9,406	342,393	351,799	1.17%
2010	5,216	372,862	378,078	1.32%
2009	7,336	269,751	277,087	1.02%
2008	4,782	241,960	246,742	0.94%

STATUS OF PRIOR RECOMMENDATIONS

NONE

RECOMMENDATIONS

That internal controls be strengthened to eliminate overexpenditures of appropriations.

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call.

Very truly yours,

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Ford, Scott & Associates, LLC

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Certified Public Accountants